

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 02 February 2015

Portfolio:	Policy and Resources
Subject:	Housing Revenue Account Spending Plans including the Capital Programme for 2015/16
Report of:	Director of Finance and Resources
Strategy/Policy:	Housing Strategy
Corporate Objective:	A balanced housing market.

Purpose: This report seeks Executive approval for the revised budget for 2014/15, the base budgets, rent increases and fees and charges for 2015/16 and the capital programme with its financing for the years 2014/15 to 2018/19.

Executive summary:

The Executive recommended and the Council approved, in February 2014, the base budget and rent increased for 2014/15, for Housing Revenue Account services.

This report sets out the Housing Revenue Account revised budget for 2014/15 and base budget for 2015/16 along with the capital programme and financing for the years 2014/15 to 2018/19. The report examines the issues affecting the Housing Revenue Account including rent increased with effect from 6 April 2015.

Council budgets are susceptible to change in the level of expenditure and income caused by factors outside the Council's control. A risk assessment has been carried out to indicate the effect on housing balances of changes in the level of expenditure and income. This can be used to estimate the account balances needed to provide a prudent level of reserves and a working balance.

Recommendation:

- a) Individual rent increases in line with the rent model, be approved for Council Dwellings with effect from 6 April 2015;
 - b) Rents for Council garages be increased by 5% with effect from 6 April 2015;
 - c) Discretionary fees and charges be increased to provide a minimum increase of 5%, where possible, with effect from 6 April 2015;
 - d) The revised budget for 2014/15 be approved;
 - e) The base budget for 2015/16 be approved;
 - f) The capital programme and financing for 2014/15 to 2018/19 be approved;
- and

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g) Annual budgets and assumptions are set with the aim of ensuring sufficient surpluses are held to repay debt on the date of maturity of each loan.

Reason:

To allow the Full Council to approve the Housing Revenue Account budget for 2015/16.

Cost of proposals:

As detailed in the report.

Appendices:

A: Capital Programme and Financing
B: Housing Revenue Account Budget
C: Housing Repairs Account
D: Examples of Rent
E: Fees and Charges

Background papers:

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BOROUGH COUNCIL

Executive Briefing Paper

Date: 02 February 2015

Subject: Housing Revenue Account Spending Plans including the Capital Programme for 2015/16

Briefing by: Director of Finance and Resources

Portfolio: Policy and Resources

INTRODUCTION

1. This report brings together the revenue and capital spending plans for 2014/15 and 2015/16 for the Board to consider. On 6 October 2014, the Executive approved the Council's Finance Strategy for 2015/16 and later years. The budget guidelines contained within the Strategy have been used as a basis for the Housing Revenue Account (HRA) spending plans.

CAPITAL PROGRAMME – APPENDIX A

2. The five year capital programme has been updated and is summarised in the following table. More details of the capital schemes and its financing can be found in Appendix A.

Year	£'000
2014/15	7,351
2015/16	11,232
2016/17	3,207
2017/18	2,240
2018/19	2,375
	<u>26,405</u>

3. The financing of the capital programme is mainly from the Major Repairs Reserve, Revenue Contributions to Capital, external grants, and 1:4:1 Receipts from Right-to-Buy sales (RTB).
4. The major schemes in 2015/16 and 2016/17 are the construction of 16 flats in Palmerston Avenue, 6 houses in Coldeast Close and a new sheltered scheme at the former Coldeast site plus improvements to existing stock.
5. Also included within the programme is the purchase of additional vehicles for use by the Building Services team now that the housing repairs service is being brought in-house.

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6. Following the changes to the Right-to-Buy scheme, we are required to utilise retained 1:4:1 RTB receipts to increase our housing stock. Such proceeds must represent no more than 30% of the cost of acquisition or new build with the balance being met from revenue reserves or borrowing and to use the monies within three years of being received. It is intended not to borrow for this purpose.

REVENUE BUDGETS - APPENDICES B and C

7. The following tables summarise the base and revised budgets for 2014/15 and the base budget for 2015/16, of the Housing Revenue Account and Housing Repairs Account. Further information can be found in Appendices B and C.

	Base Budget 2014/15 £000s	Revised Budget 2014/15 £000s	Base Budget 2015/16 £000s
Housing Revenue Account			
Income from service	-12,120	-11,983	-12,268
Expenditure on service	6,962	4,881	5,086
Net cost of service	-5,158	-7,102	-7,182
Interest paid and received	1,721	1,735	1,702
Revenue contribution to capital expenditure etc.	3,852	4,776	5,836
Surplus(-) / deficit	415	-591	356
Opening Balance	-4,905	-4,118	-4,709
Closing Balance	-4,490	-4,709	-4,353
Housing Repairs Account			
Income	-1,679	-874	-1,081
Expenditure	1,679	1,674	1,581
Surplus(-) / deficit	0	800	500
Opening balance	-1,800	-1,800	-1,000
Closing balance	-1,800	-1,000	-500
Overall closing balance	-6,290	-5,709	-4,853

8. Until this year, we have maintained a fixed year-end balance on the Repairs Account of £1,800,000. This balance has existed for many years and has not been called upon. Its purpose was to protect the revenue account from fluctuations in the level of repairs. It is now intended to reduce the year-end balance to £1,000,000 at the end of 2014/15 and £500,000 at the end of 2015/16 which will have the effect of a reduced transfer from the Housing Revenue Account for the next three years.
9. The detail in Appendix C shows a reduction in the number of cost centres used within the Housing Repairs Account. This is as a result of the Building Service Intervention.

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RENT INCREASES – APPENDIX D

10. Rents are set in line with the Government's rent setting policy. In the Spending Review of 2013, the Government announced its intention that social rents would increase by CPI +1% from 2015/16-2024/25. CPI as at end of September was 1.2%. Rents will therefore increase by 2.2%.
11. When we left the HRA Subsidy System, rents were assumed to continue to move towards convergence by 2015/16. The aforementioned Spending Review took away the ability for Local Authorities to increase rents, for tenants in situ, so as to achieve convergence by the said date.
12. For 2015/16, 970 properties (974 in 2014/15) will be below formula rent. In order to move towards convergence, as and when a property becomes vacant, it is re-let at formula rent.
13. Appendix D shows examples of proposed new rents.
14. Under Housing Benefit reforms, of the 1504 tenants who receive housing benefit, 114 (122 in 2013/14) are under-occupying. 99 (92) are affected by a 14% reduction in housing benefit and 15 (20) by a 25% reduction.
15. Rents for Council garages are not covered by rent restructuring. The number of garages which are not let is stable year on year. It is proposed that garage rents for 2015/16 increase by 5%.

FEES AND CHARGES – APPENDIX E

16. The current fees and charges for the HRA and the proposed charges for 2015/16 are set out in appendix E. The proposed discretionary fees have been increased wherever possible to achieve a 5% increase.
17. The statutory charge is subject to the control and advice of Government. The current level of charge has been set at the maximum allowed.

RISK ASSESSMENT

18. Council budgets are susceptible to changes in the level of expenditure and income caused by factors outside and within the Council's control. A risk assessment has been carried out to indicate the effect on balances of changes in the level of expenditure and income. This can be used to estimate the account balances needed to provide a prudent level of reserves and working balance.
19. The following list of potential risks indicates that it is essential to preserve the account balance held for the HRA & Repairs Account. Reserves are held so that we can:
 - Continue to manage and maintain homes;
 - Improve and redevelop estates;
 - Cover any unexpected expenditure;
 - Take advantage of new opportunities to meet housing needs;
 - Repay debt; and
 - Meet the challenges of any change in Government policy.

Examples of potential changes.	Effect on expenditure in year £'000s	Effect on income in year £'000s
Change in rent policy to only increase rents by CPI		-£87
Loss of income if void rate rises to 2.5% from 1.26%		-£140
Increase from 4 to 14 RTBs' – income		-£50
Increase in CPI to 2.5%	+£46	+£127

CONCLUSION

20. The Executive will be asked to approve the following recommendations to Full Council:

- a) Individual rents increases be approved for Council Dwellings with effect from 6 April 2015;
- b) Rents for Council garages to be increased by 5% with effect from 6 April 2015;
- c) Discretionary fees and charges to be increased to provide an increase of 5%, where possible, with effect from 6 April 2014;
- d) The revised budget for 2014/15 be approved;
- e) The base budget for 2015/16 be approved;
- f) The capital programme and financing for 2014/15 to 2018/19 be approved; and Annual budgets and assumptions are set with the aim of ensuring sufficient surpluses are held to repay debt on the maturity of each loan.

Reference Papers:

- a) Executive 10 February 2014 - Housing Revenue Account Spending Plans including the Capital Programme 2014/15
- b) Executive 7 July 2014 - Actual Housing Revenue Account Expenditure and Financing 2013/14
- c) Executive 6 October 2014 – Annual Review of the Council's Finance Strategy
- d) HRA 30 year Business Plan.
- e) [DCLG - Guidance on Rents for Social Housing](#)

APPENDIX A

	2014/15	2015/16	2016/17	2017/18	2018/19
CAPITAL PROGRAMME AND FINANCING	£'000	£'000	£'000	£'000	£'000
Housing Improvements	2,047	2,150	2,182	2,215	2,260
Mobility Scooter Storage	20	20			
Converting front gardens for car parking	25	25	25	25	25
Collingwood Court	4,067	152			
Coldeast Sheltered		5,500			
Palmerston Avenue	200	1,713			
Allotment Road	100	900			
Stock Repurchase	790	772			
Garage purchase	22				
123 Bridge Road			1,000		
Vehicles	80				90
TOTAL	7,351	11,232	3,207	2,240	2,375

FINANCED BY:

Revenue contributions to Capital	2,612	3,672	1,827	1,000	1,135
Major Repairs Reserve	4,287	1,240	1,240	1,240	1,240
1:4:1 Receipts	139	232			
Grants & Contributions	313	1,160	140		
Capital Fund		4,928			
TOTAL	7,351	11,232	3,207	2,240	2,375

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APPENDIX B

	Base 2014/15	Revised 2014/15	Base 2015/16
	£000s	£000s	£000s
Income			
Rents - Dwellings	-10,970	-10,860	-11,119
Rents - Garages	-236	-238	-248
Rents - Other	-18	-18	-22
Service Charges (Wardens, extra assistance, heating)	-322	-299	-581
Cleaning	-114	-105	-126
Grounds Maintenance	-79	-77	-80
Other Fees and Charges	-24	-29	-27
Leaseholder Service Charges & Insurance	-65	-65	-65
Grants receivable	-292	-292	0
	-12,120	-11,983	-12,268
Expenditure			
General Administrative Expenses	1,548	1,576	1,523
Corporate & Democratic Core	58	54	54
Corporate Management	107	94	105
Communal Heating Services	76	76	75
Communal Lighting	36	29	29
Rents, Rates & Other Taxes	49	54	59
Communal Cleaning	134	134	127
Grounds Maintenance	194	203	200
Sheltered Housing Service	542	529	543
Fire & Refuse	50	0	0
Sub-total of management costs	2,794	2,749	2,715
Contribution to Repairs Account	1,619	815	1,039
Bad Debts Provision	27	27	0
Bad Debts Written off	10	10	50
Depreciation	2,478	1,240	1,240
Debt Management Expenses	34	40	42
	6,962	4,881	5,086
Net income from service	-5,158	-7,102	-7,182

	Base 2014/15	Revised 2014/15	Base 2015/16
	£000s	£000s	£000s
Interest Payable	1,871	1,847	1,838
Interest earned on internal balances	-150	-115	-136
Net operating income	-3,437	-5,370	-5,480
Revenue contribution to capital	1,688	2,612	3,672
Transfer to Capital Fund	2,164	2,164	2,164
(Surplus)/Deficit for year	415	-594	356
Housing Revenue Account balance			
Balance brought forward	-4,905	-4,118	-4,712
Surplus/(Deficit) for year	415	-594	356
Balance carried forward	-4,490	-4,712	-4,356

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	Base 2014/15 £000s	Revised 2014/15 £000s	Base 2015/16 £000s
General Administrative Expenses			
Corporate & Democratic Core	58	54	54
Corporate Management	108	92	106
Employees	776	754	740
Premises	98	108	107
Transport-related expenditure	19	19	19
Supplies and Services	88	137	98
Contract Services	48	40	49
Internal Support	525	529	518
Income	-7	-9	-9
	1,713	1,724	1,682
Communal Heating Services			
Premises	76	76	75
	76	76	75
Communal Lighting			
Premises	36	29	29
	36	29	29
Communal Cleaning			
Employees	37	37	39
Premises	95	95	86
Internal Support	2	2	2
	134	134	127
Grounds Maintenance			
Employees	13	13	14
Premises	154	164	160
Internal Support	26	26	26
	194	203	200
Sheltered Housing Service			
Employees	448	438	457
Premises	47	46	43
Transport	14	14	13
Supplies and Services	18	17	16
Internal Support	16	14	14
	542	529	543
Other Communal Services			
Premises	32	38	37
Supplies and Services	17	16	22
Fire & Refuse -Premises	50	0	0
	99	54	59

APPENDIX C

HOUSING REPAIRS ACCOUNT

Expenditure	Base 2014/15	Revised 2014/15	Base 2015/16
	£000s	£000s	£000s
Day to Day			
Internal decorating	55	55	0
General repairs	574	574	1,151
External works	160	160	0
Work to garages	21	21	0
Works to void properties	103	103	0
Other works	83	83	424
	996	996	1,575
Schemes previously in the capital programme			
Repairs	222	222	0
Total from capital programme	222	222	0
Cyclical repairs			
External decorating	108	108	0
Gas service & associated repairs	250	250	0
Lift servicing	30	30	0
Pre decorating repairs	14	14	0
Emergency lighting	48	48	0
Total cyclical	450	450	0
Administration			
Supplies & services	11	7	6
	11	7	6
Total expenditure	1,679	1,674	1,581
Income			
Contribution from HRA	-1,619	-815	-1,039
DSO Surplus	-1	-1	0
Fees & charges	-59	-59	-42
Total income	-1,679	-874	-1,081
Balance brought forward	-1,800	-1,800	-1,000
Surplus (-ve) /Deficit for year	0	800	500
Tfr from Repairs Reserve			
Balance carried forward	-1,800	-1,000	-500

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APPENDIX D

HRA EXAMPLES OF RENT

	Property type	2014/15 Actual Rent	2015/16 Proposed Rent	Increase £ p.w.	Increase % p.w.
Nashe Way	1 Bed Bungalow	£87.73	£89.66	£1.93	2.20%
Foster Close	1 Bed Flat	£79.40	£81.14	£1.74	2.19%
Grebe Close	2 Bed Bungalow	£107.70	£110.07	£2.37	2.20%
Addison Road	2 Bed House	£103.48	£105.75	£2.27	2.19%
Foxbury Grove	2 Bed Flat	£90.32	£92.31	£1.99	2.20%
Garden Court	1 Bed Maisonette	£79.40	£81.14	£1.74	2.19%
Sicity House	2 Bed Maisonette	£87.63	£89.56	£1.93	2.20%
Fairfield Avenue	3 Bed House	£104.96	£107.27	£2.31	2.20%
Garden Court	3 Bed Flat	£101.15	£103.37	£2.22	2.19%
Foster Close	4 Bed House	£119.95	£122.59	£2.64	2.20%
Average for total stock		£88.89	£90.84	£1.96	2.20%
Garages		£9.82	£10.31	£0.49	5.00%

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FEES AND CHARGES 2015/16

	Existing Charge inc VAT	Proposed Charge inc VAT	Increase
<u>Discretionary Charges</u>			
Sheltered Accommodation for the Elderly			
Guest Room Charge – single occupancy per night	£7.35	£7.70	4.76%
Guest Room Charge - per couple per night	£10.50	£11.00	4.76%
Rechargeable Repairs to Council houses			
a) Rechargeable works	These will be assessed individually at the time the work is carried out		
b) Service charges to purchasers of flats and maisonettes	These annual charges are made in advance on the basis of estimated costs. Once the actual cost is known, a retrospective adjustment is made.		
Recharge of Officer time in agreeing any consent to freeholders			
Fee per occurrence	£79.40	£83.40	5.04%
<u>Statutory Charge</u>			
Sale of Council Houses			
Legal and administration fees in connection with granting a service charge loan (statutory maximum of £100)	£100.00	£100.00	0.0%